

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION



In the Matter of:

APPLICATION OF THE UNION LIGHT, )  
HEAT AND POWER COMPANY FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO ACQUIRE CERTAIN )  
GENERATION RESOURCES AND RELATED )  
PROPERTY; FOR APPROVAL OF CERTAIN )  
PURCHASE POWER AGREEMENTS; FOR )  
APPROVAL OF CERTAIN ACCOUNTING )  
TREATMENT; AND FOR APPROVAL OF )  
DEVIATION FROM REQUIREMENTS OF )  
KRS 278.2207 AND 278.2213(6) )

CASE NO. 2003-00252

Attorney General's Response to Hearing Data Request

NOTICE OF FILING AND CERTIFICATION OF SERVICE

I hereby give notice that I have filed the original and ten true copies of the foregoing with the Executive Director of the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 this the 7th day of November, 2003, and certify that this same day I have served the parties by mailing a true copy, postage prepaid, to the following:

JOHN J FINNIGAN ESQ  
MICHAEL J PAHUTSKI ESQ  
139 EAST FOURTH STREET  
CINCINNATI OH 45201



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**Union Light, Heat and Power Company**  
**Case No. 2003-00252**  
**Response of the Attorney General**

Responding Witness: Michael J. Majoros, Jr.

Question: Can Mr. Majoros furnish his “back of the envelop” calculation showing the total increase in cost to Kentucky ratepayers resulting from the request to leave ADIT and ADITC below the line as a condition of the transfer of the generating assets in this application.

Answer: Yes, see the attached schedules.

**THE UNION LIGHT, HEAT AND POWER COMPANY**  
Case No. 2003 - 00252

**Estimate of Revenue Requirement Impact  
of Company Proposal to Treat ADITCs and ADITs  
Below the Line**

<u>Line</u>	<u>Description</u>	<u>ADITCs</u>	<u>ADITs</u>	<u>Total</u>
<b>Revenue Requirement Associated With ADITs and ADITCs Tax Expenses</b>				
1	Total Amount 1/	\$ 7,310,478	\$ 83,388,148	
2	Composite Federal And State Income Tax Rate 2/	0.403625	0.403625	
3	Revenue Expansion Factors 3/	1/L2	1/(1-L2.)	
4	Factors	2.477547228	1.676797317	
5	Revenue Requirement of Tax Expense Impact (L1*L4)	<u>\$ 18,112,055</u>	<u>\$ 139,825,023</u>	\$ 157,937,077
<b>Revenue Requirement Associated With Overstated Rate Base</b>				
6	Average Rate Base Deduction L1/(2)	\$ 3,655,239	\$ 41,694,074	
7	Company Proposed Rate of Return adjusted to reflect ADITs and ADITCs	8.49%	8.49%	
8	Average Return L6xL7	310,330	3,539,827	
9	Average Remaining Life span of units 4/	22.65	24.75	
10	Additional Return Requirements from Overstated Rate Base	7,028,970	87,610,715	
11	Revenue Requirement Relating to Overstated Rate Base (L10x1.676797317)	<u>\$ 11,786,158</u>	<u>\$ 146,905,412</u>	158,691,570
<b>Revenue Requirement Associated With Excessive Equity Ratio</b>				
12	Net Plant at July 1, 2004 5/		\$ 384,481,040	
13	Fuel, M&S Inventory at July 1, 2004 5/		8,583,574	
14	Rate base at July 1, 2004		393,064,614	
15	Average Rate Base		196,532,307	
16	Company Proposed Return (8.8%) less Return Adjusted to Reflect ADITs and ADITCs (8.49%)		0.31%	
17	Additional Annual Return Resulting from Excessive Equity Ratio		609,250	
18	Times Remaining Life Span L17XL9		15,078,941	
19	Revenue Requirement Associated With Excessive Equity Ratio L18x1.676797317		<u>\$ 25,284,328</u>	25,284,328
20	Total			<u>\$ 341,912,976</u>

1/ Response to KyAG-01-037

2/ Company workpapers

3/ Expansion factors are different for tax expense versus tax credits.

4/ Calculated from CG&E's most recent depreciation study. Confidential Response to KyAG-DR-02-028. The remaining life spans are different because there are no ITCs relating to Woodsdale.

5/ Steffin JPS-3.

**THE UNION LIGHT, HEAT AND POWER COMPANY**  
**Case No. 2003 - 00252**  
**Projected Capitalization**  
**As of December 31, 2006**

Line No.	Class of Capital	Company Projected 2006 Total ULH&P 1/	Less: ADIT and ADITC 2/	Projected 2006 Total ULH&P
1	Common Equity	\$ 420,807,910	90,792,406	\$ 330,015,504
2	Long Term Debt	310,777,604		310,777,604
3	Short Term Debt	46,524,419		46,524,419
4	Total Capitalization	\$ 778,109,933	\$ 90,792,406	\$ 687,317,527

**Cost of Capital Summary**

Line No.	Class of Capital	Amount	% of Total	% Cost 3/	Weighted Cost %
5	Common Equity	\$ 330,015,504	48.015%	11.380%	5.464%
6	Long-Term Debt	310,777,604	45.216%	6.400%	2.894%
7	Short-Term Debt	46,524,419	6.769%	1.950%	0.132%
8	Total Capital	\$ 687,317,527	100.000%		8.490%

1/ JPS-3

2/ ADIT of \$83,388,148 + Miami Fort #6 ADITC of \$93,780 + East Bend ADITC of \$7,310,478 = \$90,792,406.  
All figures from Attachment KyAG-01-037, response to KyAG-01-037.

3/ JPS-4